

Competitive landscape for global wheat in SEA

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SUMMARY

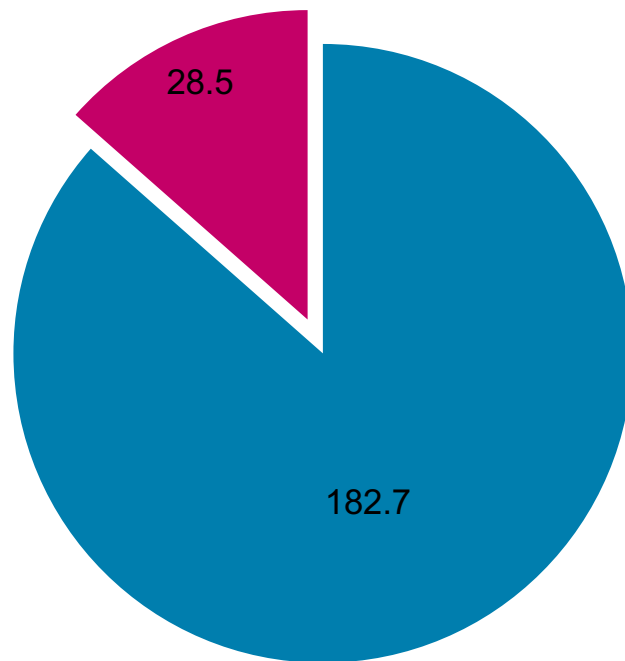
- ❑ South East Asia Market. Inelastic demand for Australian Wheat
- ❑ Elastic demand markets
- ❑ Competition from Black Sea and US
- ❑ Australian and Black Sea Wheat futures

SOUTH EAST ASIAN WHEAT

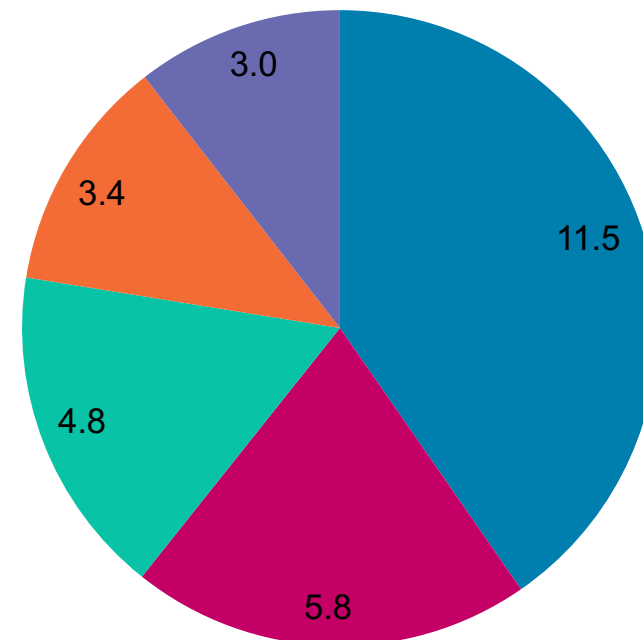
SOUTH EAST ASIAN WHEAT MARKET

- 28.5 million mt of imports for 2017/18 Marketing Year. 16% of Total
- Top 4 importers account for 89% of SEA demand

In million mt



■ World Trade ■ SE Asia

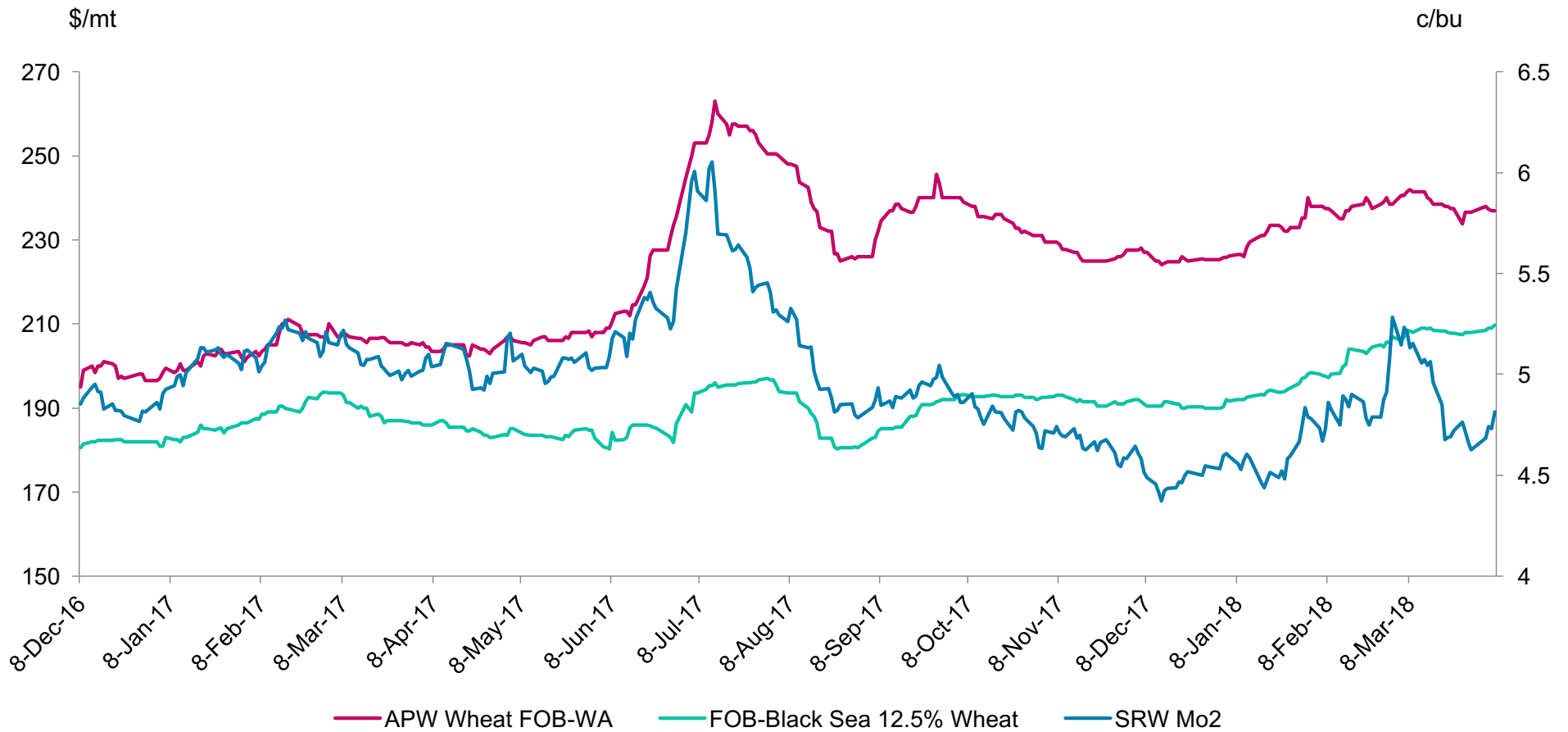


■ Indonesia ■ Philippines ■ Vietnam ■ Thailand ■ Others

Source: USDA

MAJOR ORIGINS WHEAT PRICING

- Increasing price environment since December 2016
- Competition from the Black Sea region
- Widening gap with US Wheat



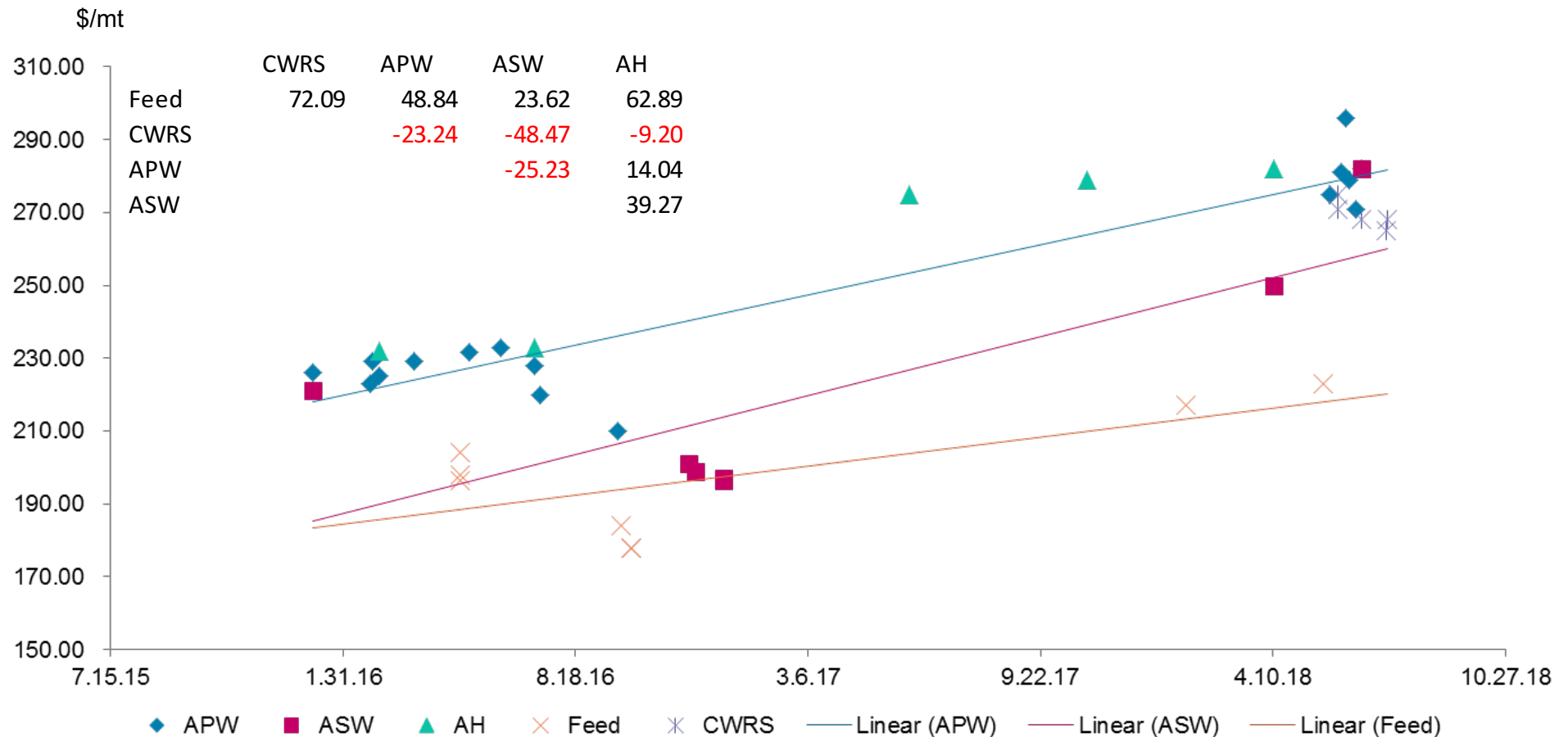
Source: S&P Global Platts, CME Group

SOUTH EAST ASIA

EFFECTS ON THE DESTINATION MARKET

VIETNAM IMPORTS

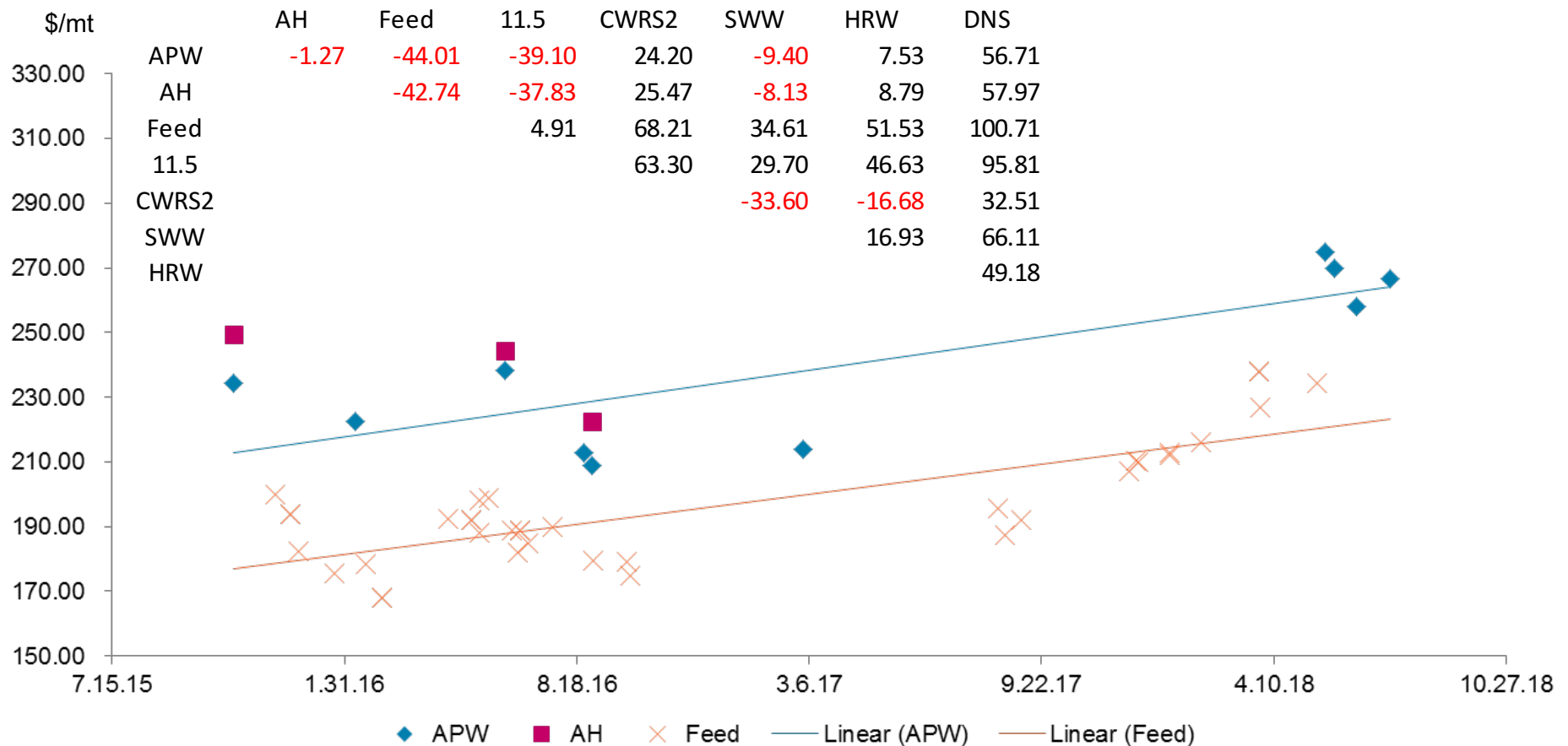
- Average Spread ASW - Black Sea/EU Feed Wheat – \$23/mt
- Widening from \$13/mt in 2016/17 MY, to \$46/mt in 2017/18 (x3.5)
- Continued buying indicates to inelastic demand



Source: S&P Global Platts

THAILAND IMPORTS

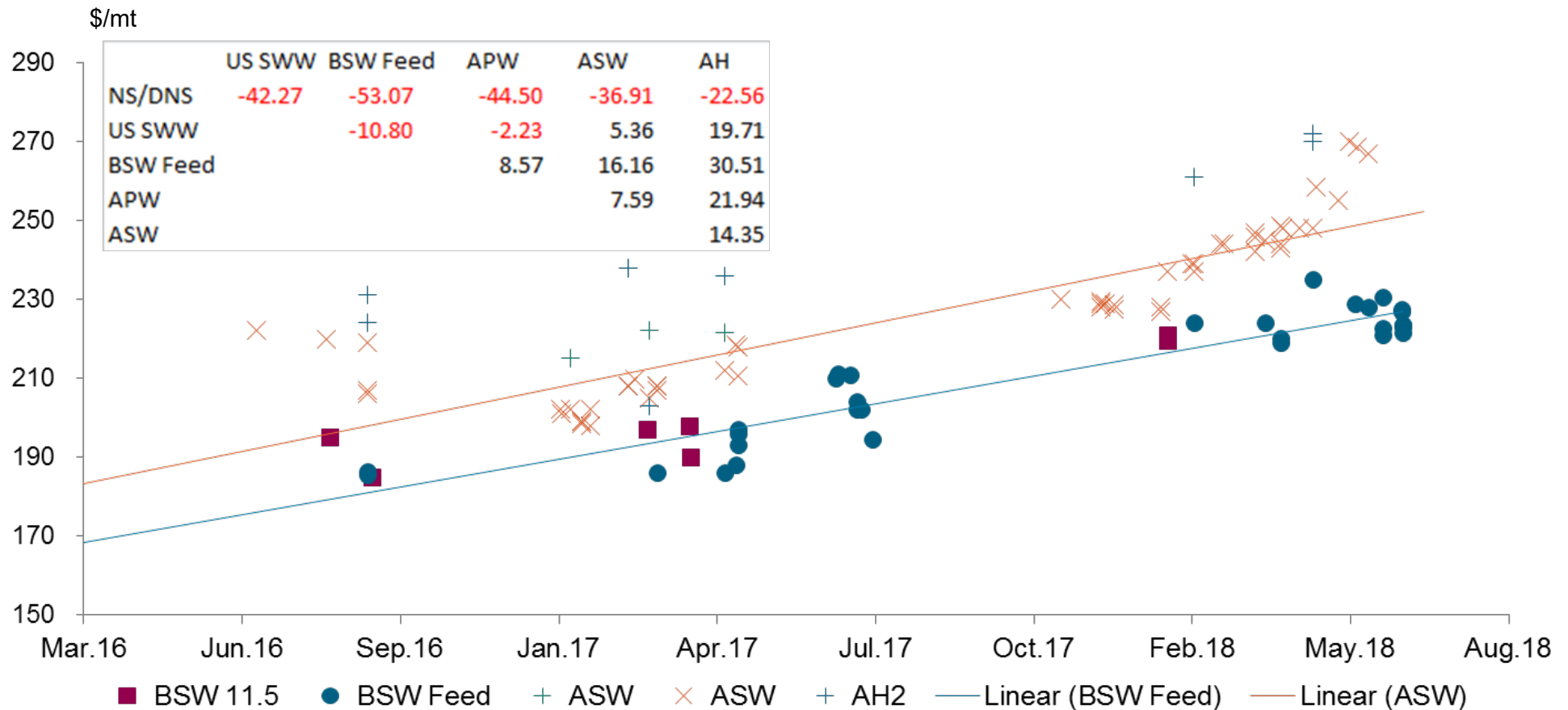
- Average Spread APW - Black Sea/EU Wheat Feed \$44/mt
- Widening from \$35/mt in 2016/17 MY, to \$46/mt in 17/18 (+33%)
- Similar to Vietnam, continued purchases with increased spread



Source: S&P Global Platts

PHILIPPINES IMPORTS

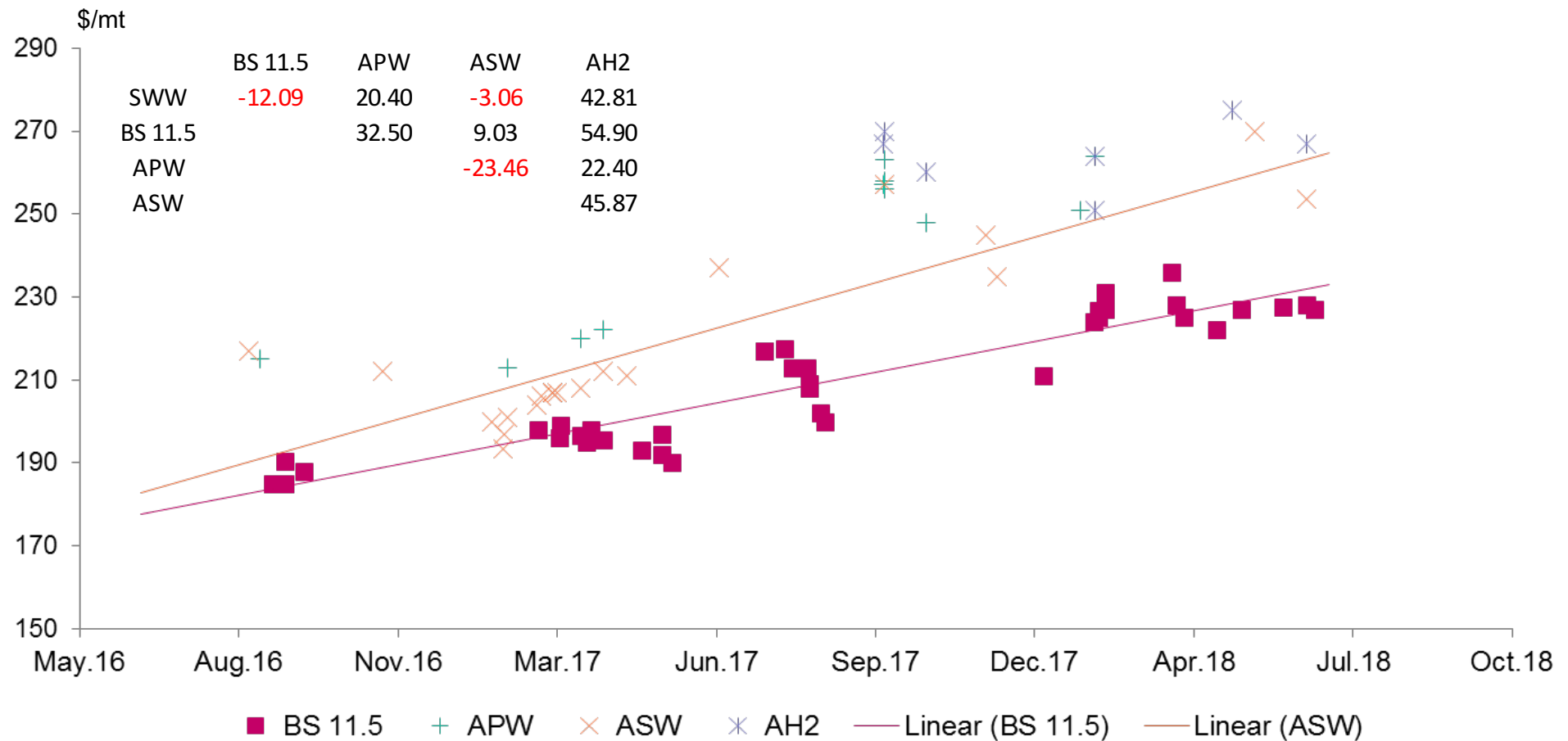
- Widening spread Australian / Black Sea Wheat
- 2016/17: -\$2/mt 2017/18: +\$2/mt . Tax advantage factored in
- Use of competition from Black Sea to negotiate ASW prices down



Source: S&P Global Platts

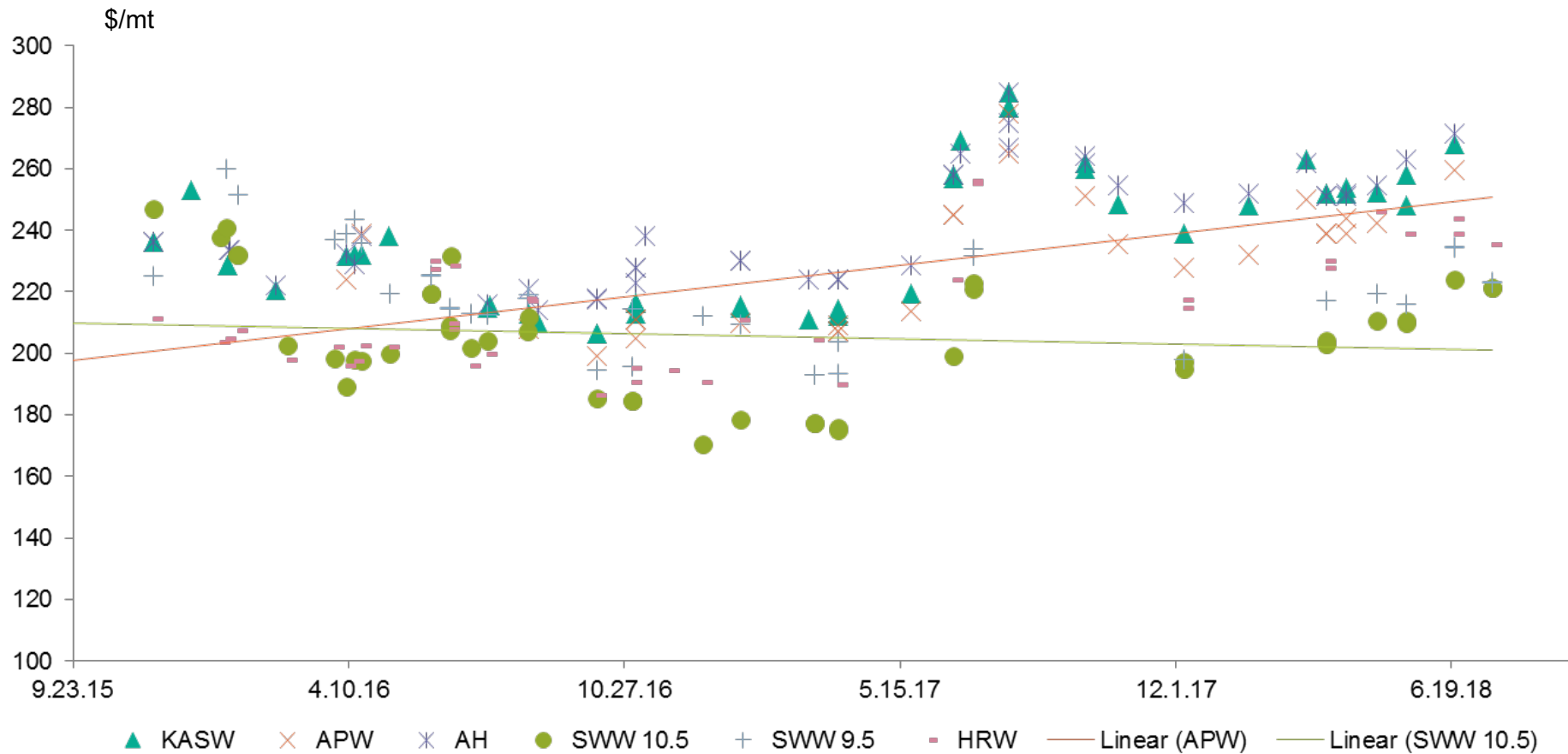
INDONESIA IMPORTS

- ASW / Black Sea 11.5 average spread widening over time
- **2016/17: \$11/mt; 2017/18: \$25/mt**
- Australian market share drop



SOUTH KOREA IMPORTS

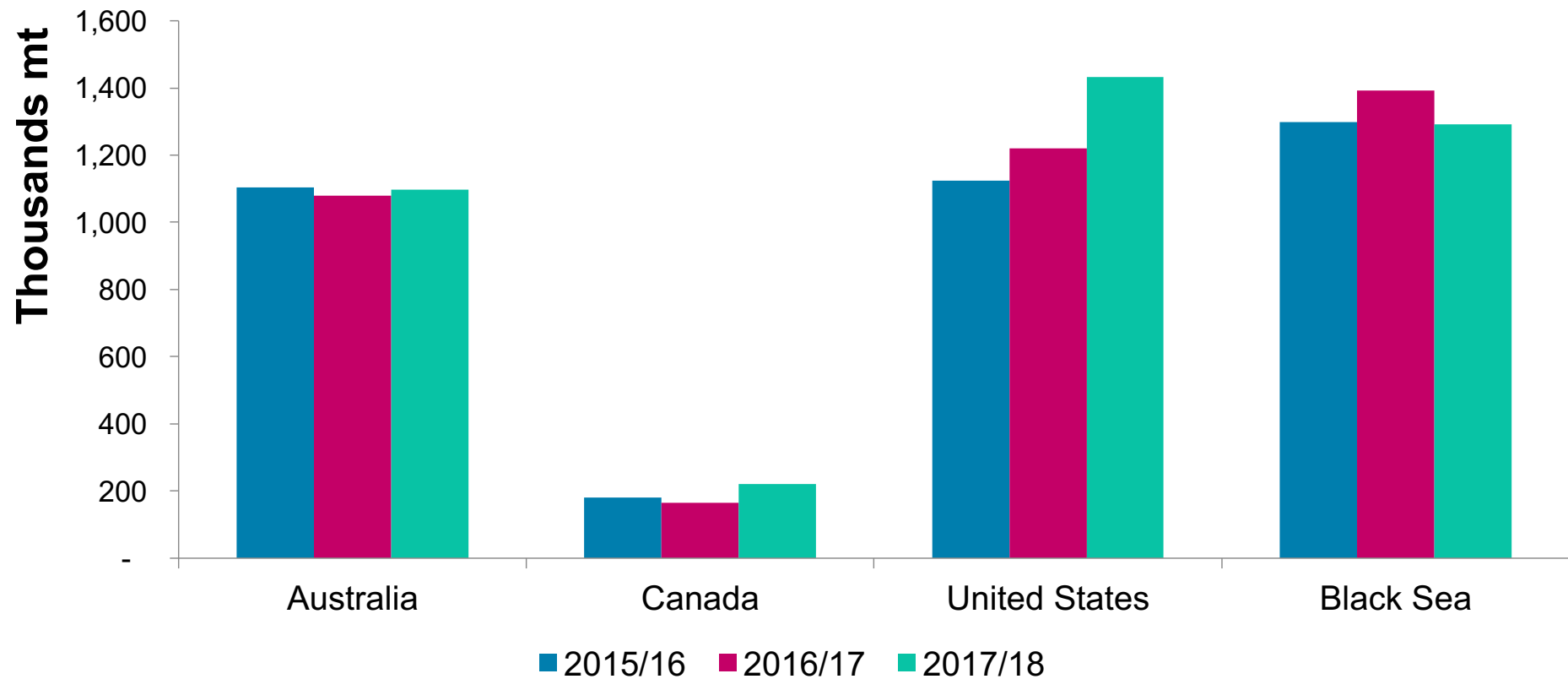
- Average Spread APW – SWW 10.5 – \$25/mt
- Increasing price gap. 16/17 MY \$20.80/mt, 17/18 MY \$31.15/mt



Source: S&P Global Platts

SOUTH KOREA WHEAT

- Maintained Imports from Australia
- US and Canada have upped their market share



SOUTH EAST ASIAN WHEAT

FOB SPREADS

FOB Western Australia - APW WHEAT

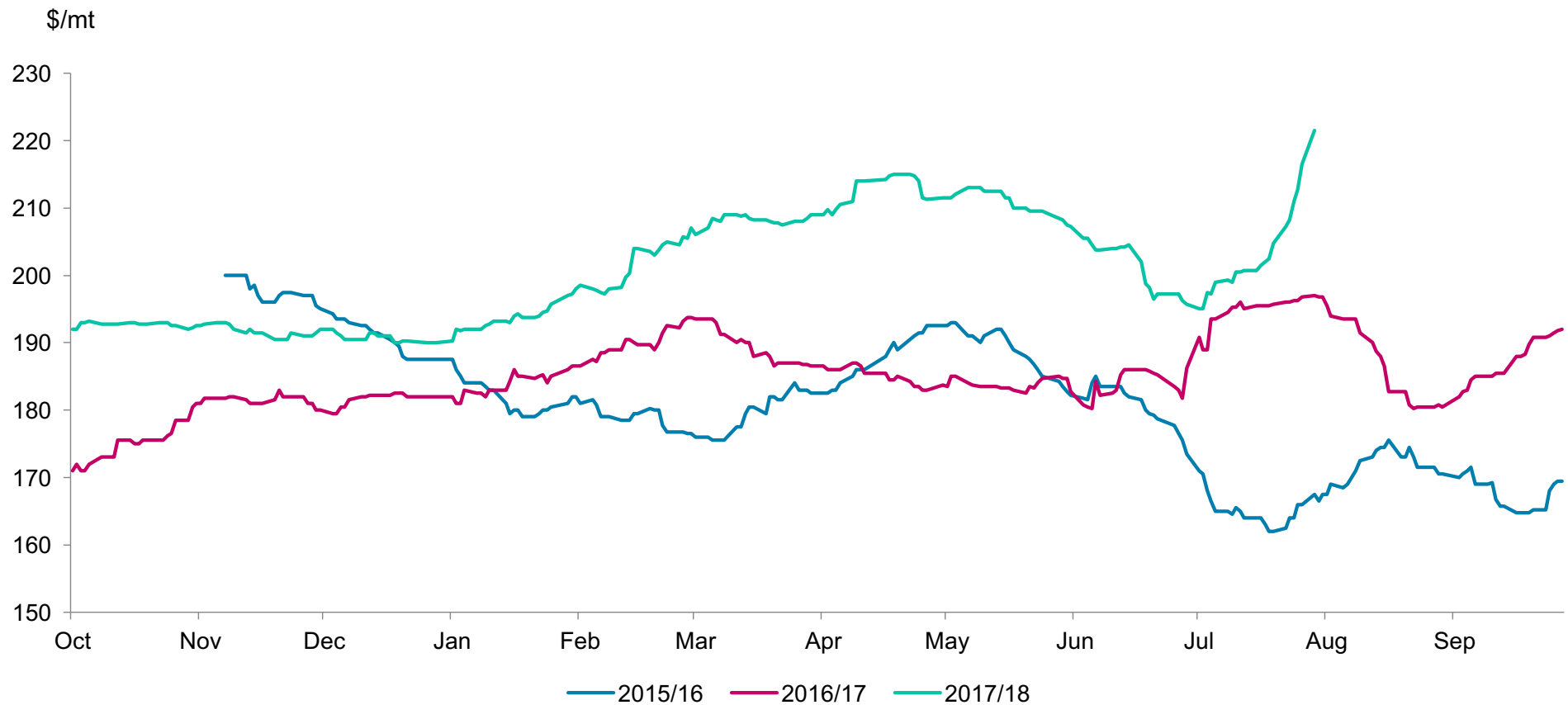
- High Price environment due to poor crop in 2017 and ongoing dryness
- Break from the trend in 2018 with price recent price hikes



Source: S&P Global Platts

BLACK SEA WHEAT

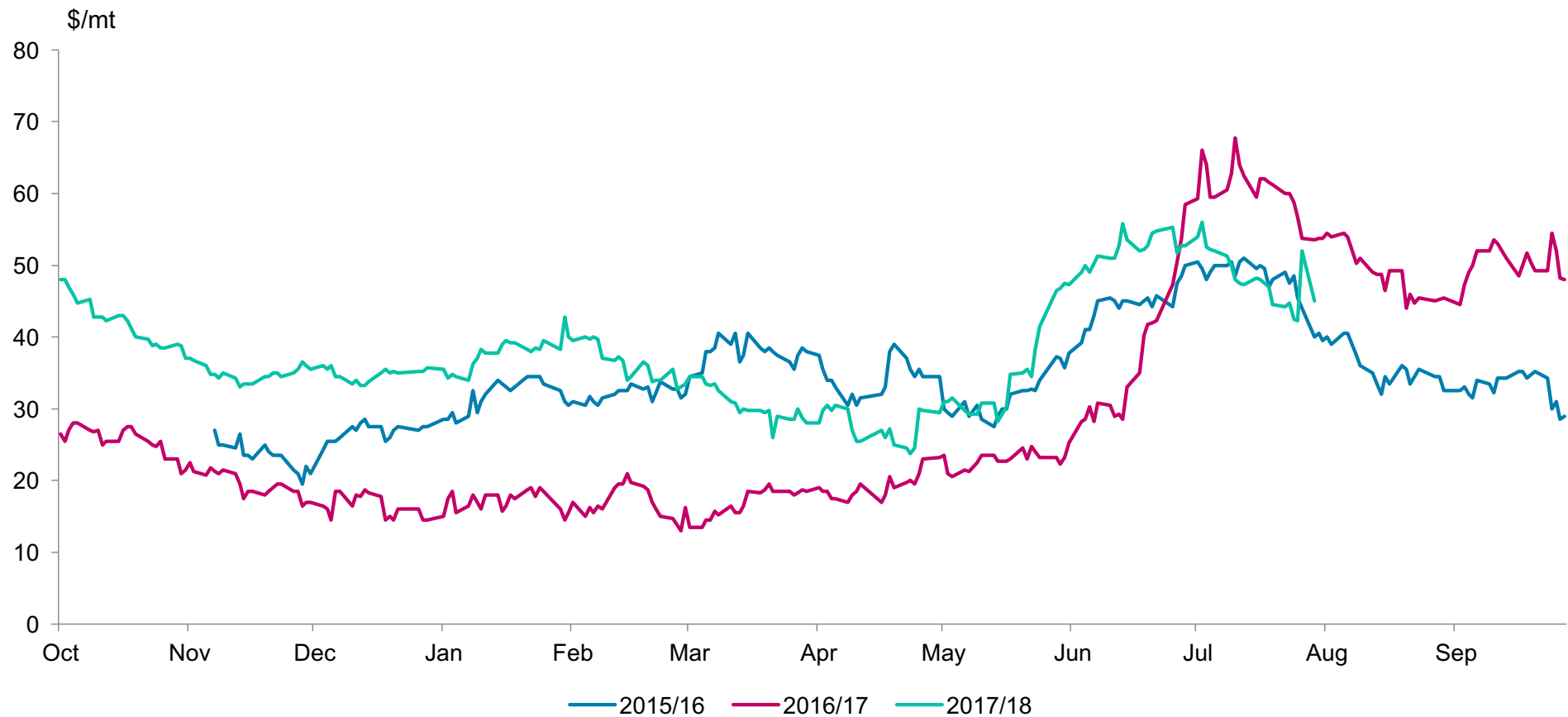
- High demand for Russian and Ukrainian wheat is keeping market tense
- Lower harvest in 2018/19 pushing prices up



Source: S&P Global Platts

APW & BLACK SEA WHEAT 12.5% SPREAD

- Wider spread allows for more competition from the Black Sea in Asia
- Price increases in Black Sea are improving Australian wheat competitiveness



Source: S&P Global Platts

CLEARED FUTURES



Key points:

- Australian Wheat “AUW”, Black Sea Wheat “BWF”
- Voice brokered market. Bid/Offer collection
- Cash-Settled against Platts FOB index in lieu of physical delivery
- Contract size: 50 mt with a minimum of 5 lots => 250 mt
- For more info visit CME website

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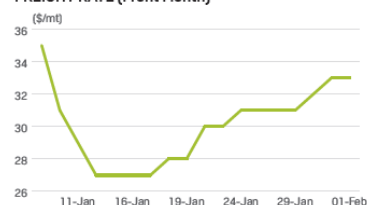
DAILY GRAINS

Volume 5 / Issue 23 / February 1, 2018

Commentary and Analysis

- Buyers emerged Thursday in the Russian 12.5% protein wheat deep sea market with the expectation of higher future prices as they looked to cover short positions. There was interest seen in the Middle East and Africa. Replacement costs remain challenging, while stocks at south Russian ports are already lower than at this time last year, sources said. Offers for FOB March loading were heard stable on the day at \$199/mt versus bids at \$197/mt.
- Corn trading to Turkey from Russia was vibrant Thursday as trades were heard done and the bid/offer spread narrowed further. Demand for low protein wheat also remained fervent, although supply was elusive. Fundamentals in the freight market firmed, with freights to Marmara from Azov in February-March observed at \$33-34 on busier trading after a holiday

AZOV SEA TO MARMARA COASTER FREIGHT RATE (Front Month)



Source: S&P Global Platts

- Lull. Buying interest for CIF-Marmara 13.5% also appeared at \$213/mt for February-March, while CIF Marmara 12.5% offers held at \$204/mt versus bids at \$201/mt, \$1 down on the day.
- Ukrainian corn strengthened Thursday amid bids creeping higher, looking to match sellers with growing valuations. Supply of corn to port remains slow as insufficient rail wagons attempt to carry a high volume of corn. Offers for March-loading FOB Panamax port Handysize shipments were heard at \$180/mt, steady on the day while bids strengthened 50 cents to \$177.75/mt.
- Saudi Arabia's state grain agency opened a tender for 715,000 mt of wheat Thursday, closing Friday, for April to June delivery, according to sources. The agency is seeking shipment in 12 lots: 7 lots to Jeddah, 4 to Dammam and 1 to Jizan.
- Australian wheat values edged down on Thursday after a continuous bullish run this week. Value for APW Wheat loaded in Western Australia on Handysize vessels was pinned by traders at \$238/mt, with the buyers potentially eyeing even a bigger correction. The weakening Australian dollar brought some relief for the track replacement values, heard at \$237/mt FOB Adelaide equivalent, which can be normalized to Kwinana at \$239-\$240/mt, at least \$6/mt lower than Wednesday. Wheat values from Australia remain nominal at this point, as buyers focus on US- and Black Sea-origin wheat. Two South Korean buy tenders for US-origin milling wheat were closed late Wednesday, with 75,000 mt wheat booked for shipment between



PLATTS GRAINS ASSESSMENTS

February 1	Unit	Symbol	Value	Change
Black Sea				
FOB Black Sea wheat (Russia, 12.5%)	\$/mt	UBRS000	198.00	+0.75
FOB Azov Sea wheat (12.5%)	\$/mt	UBAS500	170.00	0.00
FOB Black Sea corn (Ukraine)	\$/mt	CBUS000	178.75	+0.25
CIF Marmara wheat (13.5%)	\$/mt	MBPT000	213.50	+1.00
Asia				
APW wheat FOB Australia	\$/mt	WAUSA00	238.00	-2.00
Corn CFR North East Asia	\$/mt	UCIN000	195.75	+0.25
United States				
CIF New Orleans corn (Feb)	\$/mt	UCNO000	160.55	+0.10
CIF New Orleans corn (Mar)	\$/mt	UCNO000	160.95	+0.10
CIF New Orleans corn (Feb)	\$/bu	UCNO000	4.0775	+0.0025
CIF New Orleans corn (Mar)	\$/bu	UCNO000	4.0875	+0.0025
CIF New Orleans corn (Feb) basis	¢/bu	UCNO000	H46.00	0.00
CIF New Orleans corn (Mar) basis	¢/bu	UCNO000	H47.00	0.00

PLATTS GRAINS FREIGHT RATES (\$/mt)

February 1	Cargo size (kt)	Symbol	Value	Change
Odessa, Ukraine-Dammam, Saudi Arabia	60	GRUSA00	24.00	0.00
Odessa, Ukraine-Alexandria, Egypt	60	GR0AE00	12.00	0.00
Nikolaev, Ukraine-Alexandria, Egypt	25	GR0AE00	16.00	-0.50
New Orleans, US-Qingdao, North China	60	GRN0000	43.00	0.00
New Orleans, US-Fangcheng, South China	60	GRN0F00	45.75	0.00
New Orleans, US-Alexandria, Egypt	60	GRNAE00	26.50	0.00
New Orleans, US-Alexandria, Egypt	50	GRNOE00	21.00	0.00
New Orleans, US-Kashima, Japan	50	GRN0J00	42.50	-0.25

<https://www.spglobal.com/platts/en/products-services/agriculture/daily-grains>

THANK YOU!

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